

EXHIBIT 8

CERTIFIED TRANSLATION

GOVERNMENT OF PUERTO RICO

18th Legislative
Assembly

5th Regular
Session

SENATE OF PUERTO RICO

P. of the S. 1258

April 30, 2019

Presented by Mr. Rivera Schatz

Referred to the Commission of Federal, Political and Economic Relations



LAW

To establish the “Law for Reduction of Administrative Responsibilities of the Municipalities”, in order to reduce the administrative responsibility of the municipalities in the charges they pay to the health plan of the government and the system “Pay as you Go”; to amend Section 9 of Article VI of the “Law for the Administration of Health Insurance of Puerto Rico”, Law 72-1993, as amended and Article 3.5 of the “Law to Guarantee Payment to our Pensioners and Establish a New Plan of Defined Contributions for Public Servants”, Law 106-2017, as amended, to make viable the reduction in such responsibilities and for other related purposes.

STATEMENT OF MOTIVES

The municipalities are the most accessible governmental entity that the residents of Puerto Rico have. Therefore, historically the municipalities have been in need of providing those services that are required of them by the “Law of Autonomous Municipalities”, and to assume responsibilities of the central government, without being assigned the corresponding funds.

It is no secret that the municipalities are going through an enormous fiscal crisis, as is the Government of Puerto Rico. However, as they are creatures of the State, the alternatives they have to get out of the crisis are limited. To make matters worse, the Fiscal Plan for Puerto Rico, approved by the Fiscal Oversight Board (“FOB”) pursuant to the “*Puerto Rico Oversight, Management, and Economic Stability Act*” (“PROMESA” for its English acronym), Public Law 114-187, contemplates the reduction of the transfers of funds from the General Fund to the municipalities, until its elimination by the year 2023. This sum was about \$360 million dollars, a year.

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Aware of the impact that the elimination of the so called “subsidies” to the municipalities will have, this Legislative Assembly has identified two administrative charges that the municipalities have assumed that have greatly impacted their funds. These are, the payments made to the health plan of the Government of Puerto Rico and to the system “Pay as you Go”, pursuant to the provisions of the “Law for the Administration of Health Insurance of Puerto Rico”. Law, Law 72-1993, as amended, and the “Law to Guarantee the Payment to Our Pensioners and Establish a New Plan of Definite Contributions for Public Servants”, Law 106-2017, as amended. It is estimated that the fiscal impact for the municipalities between these payments reaches the amount of four hundred million dollars (\$400,000,000) a year.

Through this Law, the obligation of the municipalities to contribute to the Government’s health plan and the system “*Pay as you Go*” is eliminated. Whereas, the Municipal Revenue Collection Center (“CRIM”) will retain in the Equalization Fund fifty percent (50%) of the amount that the municipalities would have to pay to ASES, using as basis the amount invoiced for the fiscal year 2015-2016 and up to ninety per cent (90%) of the amount the municipalities would have to pay to the “*Pay as you Go*”, using as basis the amount invoiced for the fiscal year 2017-2018, to be distributed to the municipalities according to the norms applicable to such fund. The excess will be distributed in cash among the municipalities, based in the proportion in which they contribute to the settlements. This way the administrative responsibilities of the municipalities are significantly reduced, which will result in more and better services to the citizens.

THE LEGISLATIVE ASSEMBLY OF PUERTO RICO DECREES:

1 Article 1.- This Law shall be known as the “Law for the Reduction of Administrative
2 Responsibilities of the Municipalities”.

3 Article 2.- This Law is adopted with the purpose of reducing the administrative
4 responsibility of the municipalities regarding the payments they make to the health plan of the
5 Government of Puerto Rico and to the system “Pay as you Go”, pursuant to the provisions of
6 Law 72-1993, as amended, known as the “ Law of the Health Insurance Administration of
7 Puerto Rico”, and Law 106-2017, as amended, known as the “Law to Guarantee the Payment

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1 to Our Pensioners and Establish a New Plan of Definite Contributions for the Public
2 Servants”.

3 Article 3.- Section 9 of Article VI of Law 72-1993, as amended, known as “Law of
4 the Administration of Health Insurance of Puerto Rico”, is amended to read as follows:

5 “Section 9.- Financing of the Administration and the Health Plan; Other Income.

6 The health plan established through this law and the operating expenses of the
7 Administration will be paid as follows:

8 (a)...

9 ...

10 (d) The budgetary assignment of the municipal government for direct health services
11 in areas covered by the health insurance plans will be based in the percentages contained in
12 the Table following the Budget of Ordinary Funds of the Municipalities, excluding the
13 Special Additional Contribution (SAC), and federal funds using as basis the Budget of
14 ordinary funds of the previous fiscal year, from July 1, 1997.

15 ...

16 While the municipal contribution system to the cost of the Health Reform for the
17 Fiscal Year 2005-2006 and in the subsequent fiscal years is reviewed, the municipalities will
18 contribute the amount equivalent to the percentage established for the Fiscal Year 2004-2005
19 or the current, whatever is less, as provided in their budget. In the case of the Municipality of
20 San Juan, it will contribute the amount resulting from the application of the Table to the
21 budget for the fiscal year 2004-2005 or current, whichever is less. For those municipalities
22 that provide preventive services, either direct or indirect health services, the CRIM shall
23 retain the payment to ASES until this institution agrees with the municipality the return for

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1 the corresponding contribution of those municipalities, as required by Article 14 of Law 3-
2 2003. ASES will totally or partially reimburse the municipalities every expense incurred for
3 direct or indirect health services provided by the municipalities without any restriction.
4 However, from July 1, 2018 until September 30, 2019, which is equal to the sum of two
5 hundred two million dollars (\$202,000,000), the municipalities will be exempt from
6 complying with this provision, therefore will have no obligation to make any contributions to
7 the health plan created through this Law. From that total, the municipalities shall receive fifty
8 per cent (50%) or the amount of one hundred one million dollars (\$101,000,000) in cash and
9 the remaining fifty per cent (50%) or the sum of one hundred one million dollars
10 (\$101,000,000) they will receive as credit to the debt that the municipalities have with the
11 Retirement Systems Administration of Public Employees, as established in Law No. 106-
12 2017, known as "Pay as you Go", as of June 30, 2018. In case that any municipality does not
13 have debt or the debt is less than the resources it is entitled to, such credit will **[be extended**
14 **to the debt of the fiscal year 2019-2020, until it's depleted or consumed. Such exclusion**
15 **will apply to the fiscal years after September 30, 2019 in those cases in which the**
16 **Government of Puerto Rico or the Health Department receive transfers of federal funds**
17 **for health assignments in an amount similar or greater to the ones received during the**
18 **fiscal year 2017-2018.] be disbursed as stated in the next paragraph.**

19 *From September 30, 2019, the municipalities will not have the obligation to make*
20 *contributions to the health insurance plan created through this Law.*

21 (e)..."

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1 Article 4.- Article 3.5 of Law 106-2017, as amended, known as the “ Law to
2 Guarantee Payment to Our Pensioners and Establish a New Plan of Definite Contributions for
3 Public Servants”, is amended to read as follows:

4 “Article 3.5.- Employer Obligations, Sanctions.

5 Every employer of a Member of the New Plan of Definite Contributions will have the
6 following obligations:

7 (1)...

8 (2)...

9 a. The Retirement Board, its appointee or the Administrative Entity will request in
10 writing, including an official debt certification:

11 i...

12 ii...

13 iii. The Municipal Revenue Collection Center (CRIM) to remit, within the
14 seven (7) days following the written notification, the New Plan of Definite Contributions
15 and/or the Account for the Payment of Accrued Pensions, the amounts of Contributions Owed
16 by the Municipal employer, of the uncompromised remainder of the contributions on the
17 property value and other income that the Municipalities are entitled to receive pursuant to
18 Law 80-1991, as amended, known as the “ Law of the Municipal Revenue Collection Center
19 “. From the date Law is in effect, automatically and permanently a preferential legal lien is
20 constituted on that uncompromised remainder in favor of the Retirement Board and/or
21 Administrative Entity for the collection of the Contributions Owed, without need for any
22 other action, possession or control over them. *Provided, that from the fiscal year 2019-2020,*
23 *the municipalities will not have an obligation to pay the “Pay as you Go”, and the Municipal*

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1 *Revenue Collection Center (CRIM) will not have the obligation to remit payments for those*
2 *purposes.*

3 iv..."

4 Article 5.- From September 30, 2019, the Municipal Revenue Collection Center
5 (CRIM) will withhold in the Equalization Fund fifty per cent (50%) of the amount that the
6 municipalities would have had to disburse to ASES, using as a basis the amount invoiced for
7 the fiscal year 2015-2016, to be distributed to the municipalities pursuant to the norms
8 applicable to such fund according to Law 80-1991, as amended, known as the "Law of the
9 Municipal Revenue Collection Center". The remaining fifty per cent (50%) will be
10 distributed in cash among the municipalities, based on the proportion that they contribute to
11 the settlements.

12 Also, from the fiscal year that begins on July 1, 2019, the CRIM will withhold in the
13 Equalization Fund up to ninety per cent (90%) of the amount the municipalities would have
14 had to disburse to the Retirement Board and/or the Administrative Entity for the payment of
15 "Pay as you Go", created by Law 106-2017, as amended, using as a basis the amount
16 invoiced for the fiscal year 2017-2018, to be distributed to the municipalities pursuant to the
17 norms applicable to such fund according to Law 80-1991, as amended, known as the "Law of
18 the Municipal Revenue Collection Center ". The excess shall be distributed in cash among the
19 municipalities, based on the proportion they contribute to the settlements.

20 Article 6.- This Law will be in effect immediately after its approval.

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